

Consolidated Eleven-year Financial Summary

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Years Ended March 31

	Millions of Yen					
	2007	2008	2009	2010	2011	2012
For the Year:						
Operating revenues:	¥1,408,327	¥1,482,351	¥1,524,193	¥1,444,941	¥1,486,083	¥1,508,084
Electric	1,307,737	1,363,423	1,398,577	1,310,085	1,354,204	1,367,610
Other	100,590	118,927	125,616	134,856	131,878	140,474
Operating expenses:	1,253,154	1,376,811	1,439,470	1,345,214	1,387,174	1,692,939
Electric	1,155,413	1,260,615	1,317,216	1,220,536	1,261,425	1,562,055
Other	97,741	116,195	122,254	124,677	125,748	130,883
Interest charges	38,354	36,937	35,770	35,292	34,025	34,025
Income (loss) before income taxes and minority interests	112,887	72,463	55,859	67,610	48,318	(214,750)
Income taxes	46,075	29,853	21,481	25,404	19,245	(48,760)
Net income (loss) attributable to owners of the parent	65,967	41,726	33,991	41,812	28,729	(166,390)

	Yen					
	2007	2008	2009	2010	2011	2012
Per Share of Common Stock:						
Basic net income (loss)	¥139.37	¥88.19	¥71.84	¥88.38	¥60.73	¥(351.80)
Diluted net income (loss)	—	—	—	—	—	—
Cash dividends applicable to the year (common stock)	60.00	60.00	60.00	60.00	60.00	50.00
Cash dividends applicable to the year (Class A preferred shares)	—	—	—	—	—	—

	Millions of Yen					
	2007	2008	2009	2010	2011	2012
At Year-End:						
Total assets	¥4,038,838	¥4,059,775	¥4,110,877	¥4,054,192	¥4,185,460	¥4,428,093
Net property	3,140,200	3,109,292	3,080,446	3,037,054	3,033,125	2,997,232
Long-term debt, less current portion	1,689,106	1,712,949	1,811,744	1,724,972	1,714,429	2,188,601
Total equity	1,092,600	1,084,212	1,072,374	1,089,066	1,079,679	888,131

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S.\$1, the approximate rate of exchange at March 31, 2017.)

Note: Figures less than a million yen are rounded down. (Applies hereafter)

Summary of the Year Ended March 31, 2017

Kyushu Electric Power was profitable for a second consecutive year, owing to Group-wide efforts to cut costs and lower fuel costs from the stable operation of the Sendai Nuclear Power Station, despite the posting of extraordinary losses following the Kumamoto Earthquake.

Content from pages 52 to 57 and from pages 85 to 88 is based on Kyushu Electric Power's Securities Report.

	Millions of Yen					Thousands of U.S. Dollars
	2013	2014	2015	2016	2017	2017
For the Year:						
Operating revenues:	¥1,545,919	¥1,791,152	¥1,873,467	¥1,835,692	¥1,827,524	\$16,288,097
Electric	1,406,218	1,633,023	1,719,570	1,688,328	1,681,066	14,982,765
Other	139,700	158,129	153,897	147,364	146,458	1,305,332
Operating expenses:	1,845,347	1,886,974	1,916,782	1,715,435	1,704,883	15,195,044
Electric	1,715,262	1,746,890	1,779,711	1,584,556	1,574,890	14,036,456
Other	130,085	140,083	137,070	130,879	129,993	1,158,588
Interest charges	37,407	39,429	40,148	39,317	36,008	320,934
Income (loss) before income taxes and minority interests	(334,298)	(73,732)	(72,901)	92,499	82,840	738,327
Income taxes	(2,195)	20,786	40,324	17,359	2,230	19,877
Net income (loss) attributable to owners of the parent	(332,470)	(96,096)	(114,695)	73,499	79,270	706,513

	Yen				U.S. Dollars	
Per Share of Common Stock:						
Basic net income (loss)	¥(702.98)	¥(203.19)	¥(242.38)	¥155.17	¥159.97	\$1.42
Diluted net income (loss)	—	—	—	—	159.78	1.42
Cash dividends applicable to the year (common stock)	—	—	—	—	15.00	0.13
Cash dividends applicable to the year (Class A preferred shares)	—	—	—	—	3,500,000.00	31,194.29

*1 The amounts of cash dividends per share are based on the recorded earnings for each fiscal year.

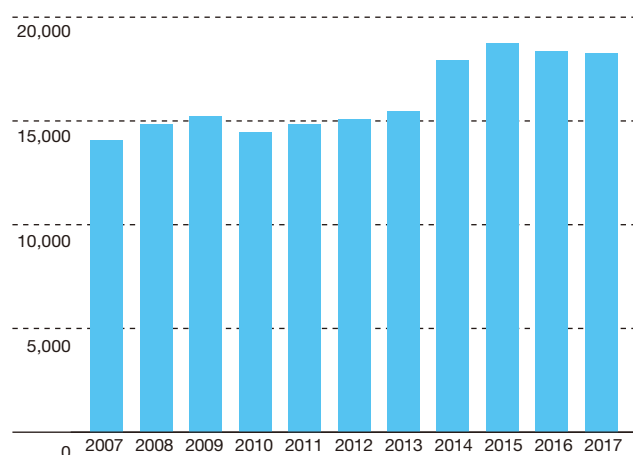
At the General Meeting of Shareholders held on June 28, 2017, a resolution was passed to use capital surplus as of March 31, 2017 to fund the following appropriation.

Cash dividends per share: Common stock ¥15.00; Class A preferred shares ¥3,500,000.00

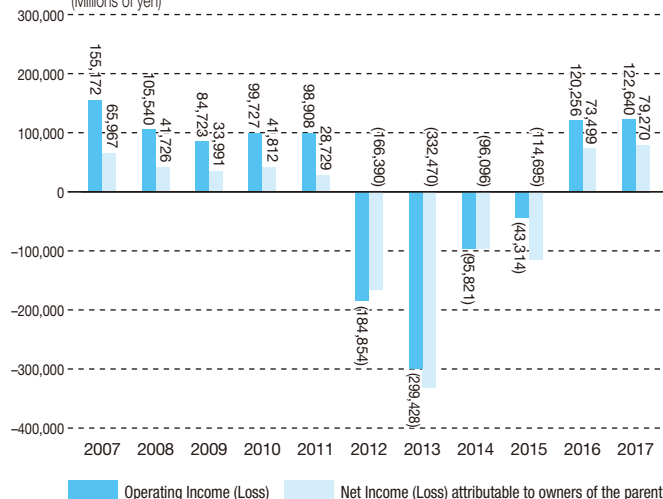
*2 A dividend of ¥7,153,763 per preferred share will be paid out for class A preferred shares, including the accumulated unpaid class A preferred share dividends.

	Millions of Yen					Thousands of U.S. Dollars
At Year-End:						
Total assets	¥4,526,513	¥4,549,852	¥4,784,735	¥4,748,237	¥4,587,541	\$40,887,176
Net property	2,941,114	2,941,142	2,985,935	3,073,861	3,134,911	27,940,386
Long-term debt, less current portion	2,526,729	2,804,896	2,844,538	2,745,848	2,789,038	24,857,738
Total equity	557,799	494,232	450,990	499,903	574,577	5,121,007

Operating Revenues (Billions of yen)



Operating Income (Loss)/Net Income (Loss) attributable to owners of the parent



Management Discussion and Analysis

Kyushu Electric Power Company, Incorporated, and Consolidated Subsidiaries
Year Ended March 31, 2017

Operating Results

In the year ended March 31, 2017, Kyushu Electric Power recorded a 0.4% year-on-year decrease in operating revenues, to ¥1,827.5 billion. In the electricity business, although subsidies related to renewable energy and electricity sales for other companies increased, lighting and power revenue declined as the impact of an adjustment in fuel costs caused unit charges to decrease, and the volume of sales declined.

With regard to expenditures, operating expenses decreased 0.6% to ¥1,704.8 billion. In the electricity business, although the cost of purchased power from renewable sources increased, Kyushu Electric Power mounted a groupwide effort to cut costs, and the stable operation of the Sendai Nuclear Power Station and a fall in fuel prices, among other factors, reduced fuel costs.

As a result of these factors, operating income was ¥122.6 billion, up 2.0% from the previous fiscal year.

Other revenues increased 11.3% to ¥18.1 billion, mainly due to an increase in dividend income in the energy-related business.

Other expenses increased 2.0% to ¥46.5 billion, mainly owing to an increase in loss on valuation of securities.

Ordinary income was ¥94.2 billion, an increase of 3.6% from the previous fiscal year. This result stemmed from a 0.3% decrease in ordinary revenues to ¥1,845.6 billion, coupled with a 0.5% decrease in ordinary expenses to ¥1,751.4 billion.

The water flow rate rose to 15.0% above average (100%) during the year under review. For this reason, Kyushu Electric Power posted a provision

for fluctuations in water level of ¥0.9 billion in preparation for increased expenses associated with future water shortages.

In the year ended March 31, 2017, Kyushu Electric Power recorded extraordinary losses, including a loss on disaster of ¥10.4 billion, in connection with the 2016 Kumamoto Earthquake.

Total income taxes decreased 87.2% to ¥2.2 billion. This decrease was mainly due to a decline in current income taxes in line with lower taxable income in the year ended March 31, 2017 and the adoption of the consolidated tax return filing system, as well as a decrease in deferred income taxes.

Due to these factors, net income attributable to owners of the parent was ¥79.2 billion, an increase of 7.9% from the previous fiscal year. Basic net income per share of common stock was ¥159.97, an increase of ¥4.8 from the previous fiscal year.

Segment Information (Before Elimination of Internal Transactions)

(1) Electric Power

Looking at the total volume of electricity sales, lighting demand rose 1.5% compared to the previous fiscal year, mainly due to an increase in air conditioning demand driven by higher temperatures from June to October compared to the same period in the previous year. In addition, power demand was down by 2.0%, mainly due to a decrease in production at certain factories.

As a result, the total volume of electricity sales decreased 0.7% to 78.62 billion kWh.

On the supply side, Kyushu Electric Power was able to maintain a stable electricity supply by comprehensively managing the operation of

power generation systems such as thermal power and pumping, in line with the increase in power from new energy and other sources, along with the stable operation of Sendai Nuclear Power Station Units 1 and 2.

Electric power segment sales decreased 0.4% to ¥1,685.0 billion. Although subsidies related to renewable energy and electricity sales for other companies increased, lighting and power revenue declined as the impact of an adjustment in fuel costs caused unit charges to decrease, and the volume of sales declined. Meanwhile, operating expenses decreased 0.6% to ¥1,586.7 billion. Although the cost of purchased power from renewable sources increased, Kyushu Electric Power mounted a groupwide effort to cut costs, and fuel costs declined due to the stable operation of the Sendai Nuclear Power Station and a fall in fuel prices. Consequently, operating income was ¥98.3 billion, an increase of 2.3% from the previous fiscal year.

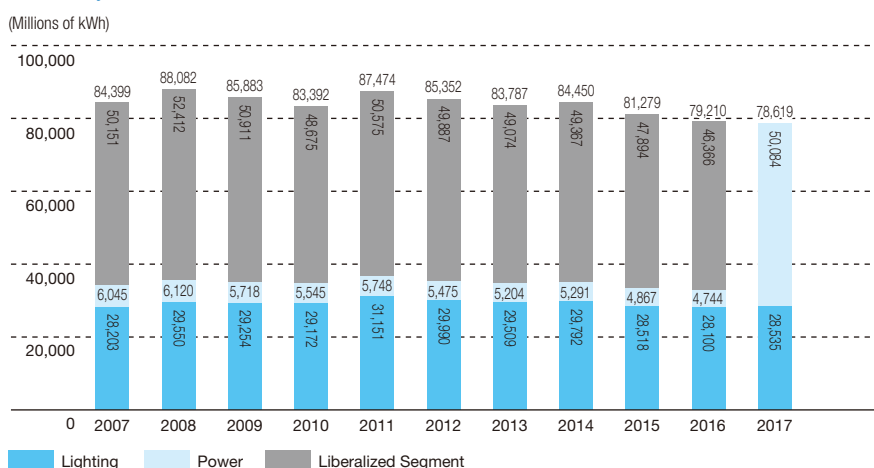
(2) Energy Related Business

Sales increased 0.3% to ¥185.2 billion, mainly due to an increase in power plant maintenance work, despite a decline in commissioned maintenance of conventional power meters in step with the installation of smart meters. Operating income declined by 7.0% to ¥10.0 billion, mainly due to the aforementioned decline in commissioned maintenance of conventional power meters in step with the installation of smart meters.

(3) IT and Telecommunications

Sales decreased 2.0% to ¥101.4 billion, mainly

Electricity Sales Volume



Note 1: Specified-Scale Demand is 6,000 V or higher at standard voltage and 50 kW or higher of contracted power
Note 2: Display categories changed from fiscal 2016

due to a decline in commissioned information system development projects, despite an increase in revenue from optical broadband services. Operating income decreased by 17.3% to ¥8.4 billion, mainly owing to increases in taxes and dues, and depreciation, associated with the expansion of optical broadband services.

(4) Other Business

Sales were ¥24.9 billion, down 7.0% year on year, mainly due to lower revenue stemming from the sale of real estate. Operating income increased by 4.6% to ¥4.5 billion mainly due to a decrease in depreciation of rental buildings.

Financial Position

(1) Cash Flows

Net cash provided by operating activities was ¥188.0 billion, a decrease of 42.9% from the previous fiscal year. In the electricity business, although fuel costs decreased, cash flows were reduced by a decrease in lighting and power revenue and an increase in the cost of purchased power from other companies, along with payments of accrued contributions for reprocessing of irradiated nuclear fuel in accordance with the enforcement of "The Act for Partial Amendment to the Act for Deposit and Management of the Reserve Funds for Reprocessing of Spent Fuel from Nuclear Power Generation" (hereinafter, the "Amended Act").

Net cash used in investing activities decreased 4.6% to ¥275.0 billion, mainly owing to a decrease in investment in plant and equipment.

Net cash provided by financing activities was

¥78.3 billion, compared with net cash used of ¥126.1 billion in the previous fiscal year. This change mainly reflected an increase in proceeds from issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2017 stood at ¥419.8 billion, down ¥9.9 billion from a year earlier.

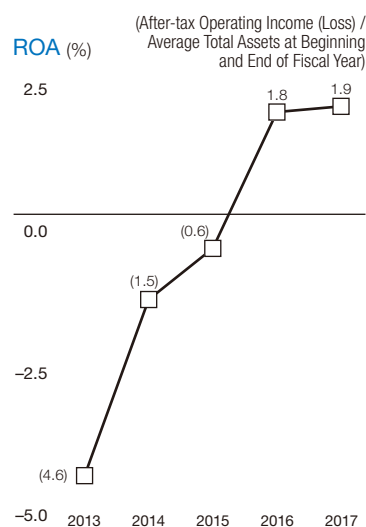
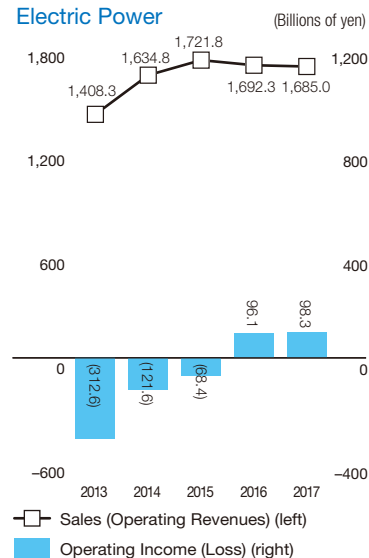
(2) Assets, Liabilities and Equity

Total assets were ¥4,587.5 billion, down 3.4% from the previous fiscal year-end. This mainly reflected a decline in fixed assets due to the reversal of reserve funds for reprocessing of irradiated nuclear fuel in accordance with the enforcement of the Amended Act, despite increases in construction in progress in connection with construction work related to nuclear power station safety enhancement measures.

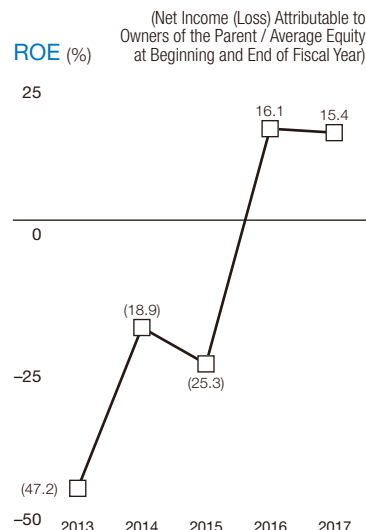
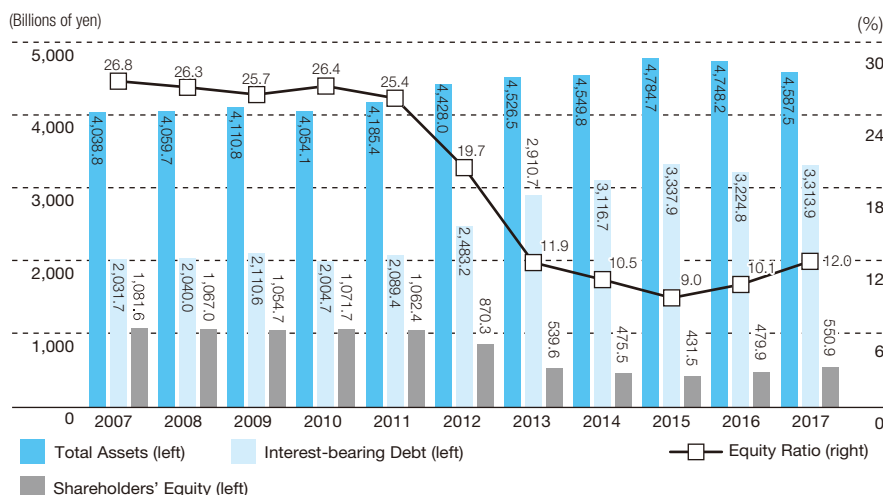
Total liabilities were ¥4,012.9 billion, a decrease of 5.5% from the previous fiscal year-end. This was mainly due to the reversal of the reserve for reprocessing of irradiated nuclear fuel and the reserve for preparation of reprocessing of irradiated nuclear fuel in accordance with the enforcement of the Amended Act, despite an increase due to the issuance of convertible bond-type bonds with subscription rights to shares. Outstanding interest-bearing debt increased 2.8% from the previous fiscal year-end to ¥3,313.9 billion.

Total equity was ¥574.5 billion, up 14.9% from a year earlier, mainly reflecting the recording of net income attributable to owners of the parent, which was partly offset by the payment of dividends. The equity ratio was 12.0%.

Electric Power



Consolidated Interest-bearing Debt and Equity Ratio



Business Risks Factors

The following is a list of some significant risk factors that may have an effect on the operating results, financial position, and other aspects of the Group (consolidated).

Forward-looking statements in this report reflect the judgment of the Company as of the end of current consolidated fiscal year.

1 Changes in Systems Affecting the Electricity Business

With regard to energy policy, the government has formulated the Long-term Energy Supply and Demand Outlook based on the Strategic Energy Plan, which established the nation's basic orientation in relation to energy supply and demand. Discussions have been ongoing. With regard to the matter of electricity system reforms, legal unbundling of the transmission/distribution sector will start in April 2020. We have been steadily putting in place the new internal systems required by these changes and have been working to achieve greater operational efficiency. For example, we introduced an in-house company to handle the electricity transmission and distribution business in April 2017. Moreover, we are also considering priorities such as the creation of a base load power market and a capacity mechanism, from the standpoint of addressing issues affecting the public interest amid further intensification of competition and liberalization in the electricity market. Changes such as these to the systems affecting the electricity business could have an impact on the Group's performance.

2 Status of the Environment Surrounding Nuclear Power

We still believe that nuclear power generation is important in terms of energy security and global warming concerns. We will comply with the New Nuclear Regulatory Requirements enforced by the government based on the lessons learned from the accident at the Fukushima Daiichi Nuclear Power Station and continue our voluntary efforts to improve safety and reliability. In conjunction with this, we are also vigorously implementing activities to allay the concerns of local residents. However, the Group's performance could be affected by any long-term suspension of our nuclear power stations or increase in capital investments, depending on new regulatory standards and the results of lawsuits regarding their operations.

3 Fluctuations in Electricity Sales Volume

Electricity sales volume in the electricity business fluctuates according to factors such as economic trends, temperature changes, the spread of residential solar power systems, the development of energy conservation, and competition in the electricity market. As a result, changes in these factors could have an impact on the Group's performance. Supply and demand operations could be affected by an increase in solar power systems.

4 Fuel Price Fluctuations

Fuel expenses in the electricity business fluctuate as a result of trends in CIF prices and in the foreign exchange markets because we procure sources of fuel for thermal power generation including liquefied natural gas (LNG) and coal from overseas.

However, fluctuations in fuel prices are reflected in electric rates through the fuel cost adjustment system, which helps to ease the impact of fuel price volatility on the Group's performance.

5 Costs for the Back-end of Nuclear Operations

The decommissioning of nuclear facilities and the back-end of nuclear operations such as the storage, reprocessing, and disposal of spent nuclear fuel require long-term projects that involve uncertainties. However, risks to operators have been reduced to a certain extent due to the government's institutional measures and other factors. Since the costs for the back-end of nuclear operations and so forth vary in accordance with factors such as future reviews of systems, changes to estimated future expenses, and the storage conditions of spent nuclear fuel, they may affect the business performance of the Kyushu Electric Power Group.

6 Cost of Measures to Combat Global Warming

In response to global warming, the Group aims for more efficient power generation that uses less carbon, and to this end, the Group conducts a variety of measures, such as safe and stable nuclear power station operations, active development and introduction of renewable energy, and maintenance and improvement of total thermal efficiency for thermal power stations. Future changes in policies related to global warming could have an impact on the Group's performance.

7 Businesses Other than Electricity

The Group is enhancing its revenue basis by utilizing its management resources and steadily developing new business areas beyond the electricity business. In business operations, we put emphasis on profitability and work to improve efficiency while pursuing growth. If the planned profits cannot be achieved due to worsening business conditions, the Group's performance may be affected.

8 Deferred Tax Assets

The recoverability of deferred tax assets reported in the consolidated balance sheet is determined based on estimated future taxable income. Therefore, if estimated future taxable income falls due to factors such as changes in the business environment, we will have to break into deferred tax assets, and this may affect the business performance of the Kyushu Electric Power Group.

9 Interest Rate Fluctuations

The Group's balance of interest-bearing debt as of the end of March 2017 was ¥3,313.9 billion, which accounts for 72% of the Group's total assets. Future changes in interest rates have the potential to affect the Group's financial condition. However, 96% of outstanding interest-bearing debt comprises long-term debt, and most of this bears interest at fixed rates. The impact of fluctuating interest rates on the Group's performance is therefore viewed as limited.

10 Leakage of Information

The Group has established strict internal frameworks to manage in-house information and personal information which Group companies hold, to ensure information security. Additionally, we have implemented thorough information management by establishing internal policies and guidelines on handling information as well as familiarizing employees with the handling procedures. However, in case of leaks of in-house information or personal information caused by computer viruses or cyber attacks, the Group's performance may be affected.

11 Natural Disasters

To ensure a stable supply of electricity to our customers, the Group implements inspections and maintenance of facilities systematically to prevent any trouble from occurring. However, large-scale natural disasters, such as typhoons, torrential rains, earthquakes and tsunami, as well as unexpected accidents and illicit acts have the potential to affect the Group's performance.

We are also developing a risk management system and are preparing for numerous risks that may have a material impact on business operations. Failing to respond appropriately to a risk may adversely affect the Group's performance.

12 Compliance

To be worthy of the trust of all its stakeholders, the Group conducts its business activities from the perspective of its customers and the local people in the regions in which it operates by working together to fully instill an awareness of compliance and complying with laws and regulations. However, if problems such as compliance violations were to cause the Group's social credibility to decline, this could have an impact on the Group's performance.

The Group will continue to work to build trust-based relationships with all its stakeholders.

Consolidated Balance Sheet

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
ASSETS			
PROPERTY (Note 3):			
Plant and equipment	¥10,072,426	¥ 9,934,583	\$89,772,070
Construction in progress	467,401	417,187	4,165,789
Total	10,539,827	10,351,771	93,937,859
Less-			
Contributions in aid of construction	204,943	200,387	1,826,587
Accumulated depreciation	7,199,973	7,077,522	64,170,885
Total	7,404,916	7,277,910	65,997,472
Net property	3,134,911	3,073,861	27,940,386
NUCLEAR FUEL	252,138	283,227	2,247,228
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	74,499	75,647	663,986
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Note 15)	112,671	105,848	1,004,202
Reserve funds for reprocessing of irradiated nuclear fuel (Note 2.n)		270,095	
Assets for retirement benefits (Note 7)	11,041	9,403	98,404
Deferred tax assets (Note 11)	129,562	136,691	1,154,745
Special account related to nuclear power decommissioning (Note 2.g)	20,048	20,870	178,687
Other	83,037	43,791	740,084
Total investments and other assets	430,860	662,348	3,840,111
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	419,831	429,757	3,741,811
Receivables (Note 15)	226,601	183,110	2,019,617
Allowance for doubtful accounts	(959)	(813)	(8,548)
Inventories, principally fuel	64,344	59,827	573,481
Deferred tax assets (Note 11)	39,437	29,425	351,491
Prepaid expenses and other	20,375	27,491	181,597
Total current assets	769,630	728,799	6,859,450
TOTAL	¥ 4,587,541	¥ 4,748,237	\$40,887,176

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 15)	¥2,798,999	¥2,745,848	\$24,946,523
Liability for retirement benefits (Note 7)	99,526	101,961	887,043
Reserve for reprocessing of irradiated nuclear fuel (Note 2.n)		309,595	
Asset retirement obligations (Note 9)	217,278	213,006	1,936,530
Other	49,951	37,919	445,200
Total long-term liabilities	3,165,756	3,408,330	28,215,298
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 15)	409,726	373,566	3,651,754
Short-term borrowings (Notes 10 and 15)	118,572	118,362	1,056,797
Notes and accounts payable (Notes 14 and 15)	122,903	156,808	1,095,395
Accrued income taxes (Note 15)	2,634	6,536	23,476
Other	184,799	177,102	1,647,058
Total current liabilities	838,636	832,376	7,474,482
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,570	7,627	76,387
COMMITMENTS AND CONTINGENCIES (Note 17)			
EQUITY (Note 12):			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	2,115,016
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus	120,844	130,368	1,077,047
Retained earnings	212,945	133,675	1,897,913
Treasury stock—at cost, 522,731 shares in 2017 and 523,345 shares in 2016	(685)	(684)	(6,108)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,597	2,839	32,063
Deferred loss on derivatives under hedge accounting	(1,389)	(1,255)	(12,384)
Foreign currency translation adjustments	(3,590)	(2,280)	(31,997)
Defined retirement benefit plans	(18,062)	(20,037)	(160,985)
Total	550,965	479,929	4,910,564
Noncontrolling interests	23,611	19,973	210,443
Total equity	574,577	499,903	5,121,007
TOTAL	¥4,587,541	¥4,748,237	\$40,887,176

See notes to consolidated financial statements.

Consolidated Statement of Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING REVENUES:			
Electric	¥1,681,066	¥1,688,328	\$14,982,765
Other	146,458	147,364	1,305,332
Total operating revenues	1,827,524	1,835,692	16,288,097
OPERATING EXPENSES (Note 13):			
Electric	1,574,890	1,584,556	14,036,456
Other	129,993	130,879	1,158,588
Total operating expenses	1,704,883	1,715,435	15,195,044
OPERATING INCOME	122,640	120,256	1,093,053
OTHER EXPENSES (INCOME):			
Interest charges	36,008	39,317	320,934
Gain on sales of fixed assets		(1,683)	
Gain on sales of investment securities (Note 4)		(2,935)	
Gain on revision of retirement benefit plans (Note 7)		(2,899)	
Loss on disaster (Note 8)	10,450		93,141
Other—net	(7,602)	(9,977)	(67,761)
Total other expenses—net	38,856	21,822	346,314
INCOME BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	83,784	98,434	746,739
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	943	5,934	8,411
INCOME BEFORE INCOME TAXES	82,840	92,499	738,327
INCOME TAXES (Note 11):			
Current	5,745	12,038	51,206
Deferred	(3,515)	5,320	(31,329)
Total income taxes	2,230	17,359	19,877
NET INCOME	80,610	75,140	718,450
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,339	1,641	11,936
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 79,270	¥ 73,499	\$ 706,513
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income	¥ 159.97	¥155.17	\$ 1.42
Diluted net income	159.78		1.42
Cash dividends applicable to the year:			
Common share	15.00		0.13
Class A preferred share	3,500,000.00		31,194.29

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥80,610	¥ 75,140	\$718,450
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	585	(865)	5,220
Deferred loss on derivatives under hedge accounting	(158)	(1,843)	(1,411)
Foreign currency translation adjustments	(731)	(2,106)	(6,519)
Defined retirement benefit plans	1,807	(19,173)	16,111
Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies	(75)	(1,700)	(676)
Total other comprehensive income (loss)	1,427	(25,689)	12,724
COMPREHENSIVE INCOME	¥82,037	¥ 49,450	\$731,174
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥80,560	¥ 48,394	\$718,008
Noncontrolling interests	1,477	1,056	13,166

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Thousands of Shares/Millions of Yen														
	Common Stock		Preferred Stock		Treasury Stock		Accumulated Other Comprehensive Income					Total	Noncontrolling interests	Total Equity	
	Shares	Amount	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments				Defined Retirement Benefit Plans
BALANCE AT APRIL 1, 2015	474,183	¥237,304	1		¥130,344	¥ 60,175	509	¥(666)	¥ 4,097	¥ 596	¥ (18)	¥ (305)	¥431,528	¥19,462	¥450,990
Net income attributable to owners of the parent						73,499							73,499		73,499
Change in the parent's ownership interest due to transactions with noncontrolling interests					24								24		24
Purchase of treasury stock							14	(18)					(18)		(18)
Disposal of treasury stock					(0)		(0)	0					0		0
Net change in the year									(1,257)	(1,852)	(2,262)	(19,732)	(25,105)	511	(24,593)
BALANCE AT MARCH 31, 2016	474,183	¥237,304	1		¥130,368	¥133,675	523	¥(684)	¥ 2,839	¥(1,255)	¥(2,280)	¥(20,037)	¥479,929	¥19,973	¥499,903
Net income attributable to owners of the parent						79,270							79,270		79,270
Cash dividends, ¥5 per common share					(2,369)								(2,369)		(2,369)
Cash dividends, ¥7,153,763 per class A preferred share					(7,153)								(7,153)		(7,153)
Change in the parent's ownership interest due to transactions with noncontrolling interests					0								0		0
Purchase of treasury stock							15	(3)					(3)		(3)
Disposal of treasury stock					(0)		(15)	2					2		2
Net change in the year									757	(133)	(1,309)	1,974	1,289	3,638	4,927
BALANCE AT MARCH 31, 2017	474,183	¥237,304	1		¥120,844	¥212,945	522	¥(685)	¥ 3,597	¥(1,389)	¥(3,590)	¥(18,062)	¥550,965	¥23,611	¥574,577

	Thousands of U.S. Dollars (Note 1)											Total	Noncontrolling interests	Total Equity
	Common Stock		Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount			
BALANCE AT MARCH 31, 2016		\$2,115,016			\$1,161,933	\$1,191,399	\$(6,104)	\$25,309	\$(11,192)	\$(20,328)	\$(178,587)	\$4,277,446	\$178,018	\$4,455,464
Net income attributable to owners of the parent						706,513						706,513		706,513
Cash dividends, \$0.04 per common share					(21,122)							(21,122)		(21,122)
Cash dividends, \$63,759.02 per class A preferred share					(63,759)							(63,759)		(63,759)
Change in the parent's ownership interest due to transactions with noncontrolling interests					0							0		0
Purchase of treasury stock							(28)					(28)		(28)
Disposal of treasury stock					(5)		24					19		19
Net change in the year								6,753	(1,192)	(11,668)	17,601	11,494	32,425	43,919
BALANCE AT MARCH 31, 2017		\$2,115,016			\$1,077,047	\$1,897,913	\$(6,108)	\$32,063	\$(12,384)	\$(31,997)	\$(160,985)	\$4,910,564	\$210,443	\$5,121,007

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 82,840	¥ 92,499	\$ 738,327
Adjustments for:			
Income taxes paid	(9,679)	(10,001)	(86,272)
Depreciation and amortization	215,342	203,060	1,919,269
Decommissioning costs of nuclear power units	4,589	4,640	40,904
Amortization of special account related to nuclear power decommissioning	821	821	7,325
Reversal of reserve for reprocessing of irradiated nuclear fuel	(5,271)	(13,071)	(46,981)
Loss on disposal of plant and equipment	7,261	6,833	64,720
Provision for reserve for fluctuation in water level	943	5,934	8,411
Gain on sales of fixed assets		(1,683)	
Gain on sales of investment securities		(2,935)	
Gain on revision of retirement benefit plans		(2,899)	
Payments of accrued contributions for reprocessing of irradiated nuclear fuel	(36,123)		(321,955)
Changes in assets and liabilities:			
Decrease in reserve funds for reprocessing of irradiated nuclear fuel	15,409	11,975	137,335
(Increase) decrease in trade receivables	(20,521)	8,209	(182,904)
(Increase) decrease in inventories, principally fuel	(4,366)	21,606	(38,918)
Decrease in trade payables	(27,701)	(12,796)	(246,897)
Increase in liability for retirement benefits	2,943	440	26,237
Other—net	(38,470)	16,855	(342,871)
Total adjustments	105,176	236,991	937,401
Net cash provided by operating activities	188,016	329,491	1,675,729
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(304,688)	(318,495)	(2,715,582)
Proceeds from contribution in aid of construction	27,006	17,859	240,696
Payments for investments and advances	(5,542)	(2,314)	(49,398)
Proceeds from sales of investment securities and collections of advances	5,645	12,506	50,318
Other—net	2,531	2,121	22,564
Net cash used in investing activities	(275,047)	(288,321)	(2,451,402)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	299,365	59,821	2,668,142
Repayments of bonds	(130,000)	(219,360)	(1,158,645)
Proceeds from long-term loans	161,130	200,167	1,436,099
Repayments of long-term loans	(241,235)	(161,299)	(2,150,046)
Net Increase (decrease) in short-term borrowings	210	(1,538)	1,873
Cash dividends paid	(9,583)	(76)	(85,411)
Other—net	(1,507)	(3,898)	(13,432)
Net cash provided by (used in) financing activities	78,380	(126,184)	698,580
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,276)	(2,327)	(11,380)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,926)	(87,342)	(88,472)
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR		620	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	429,757	516,480	3,830,284
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 419,831	¥ 429,757	\$ 3,741,811

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries
Year Ended March 31, 2017

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and their related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2016, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2017.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥112.20 = U.S. \$1, the approximate exchange rate prevailing on March 31, 2017. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation and Application of the Equity Method—The consolidated financial statements as of March 31, 2017, include the accounts of the Company and its 41 subsidiaries (together, the "Companies"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 13 nonconsolidated subsidiaries and 14 affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Companies have the ability to exercise significant influence are treated as affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 5 consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

b. Business Combination—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Property and Depreciation—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

Under the accounting regulations applicable to electric utility providers, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment."

d. Impairment of Fixed Assets—The Companies review their fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

e. Amortization of Nuclear Fuel—Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

f. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: (a) Held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; (b) Available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

The Companies record unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

g. Special account related to nuclear power decommissioning—On March 13, 2015, the Japanese government, i.e., the Ministry of Economy, Trade and Industry ("METI"), revised the accounting regulation applicable to electric utility providers. Under the revised accounting regulation, on and after March 13, 2015 in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units and applies to the Minister of METI for adopting the above special account, because they are expected to be collected through regulated electricity fees. The special account is amortized in proportion to the amounts of future regulated electricity fees collected, after approval of the Minister of METI.

h. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

i. Inventories—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.

j. Foreign Currency Transactions—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.

k. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

l. Derivatives and Hedging Activities—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest charges.

Notes to Consolidated Financial Statements

m. Severance Payments and Pension Plans—The Companies have unfunded retirement plans for most of their employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” the Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 5 years, no longer than the expected average remaining service period of the employees.

n. Accounting for Reprocessing cost of Irradiated Nuclear Fuel—Prior to October 1, 2016, reserve for reprocessing of irradiated nuclear fuel was provided for reprocessing costs of irradiated nuclear fuel. The annual provision was calculated in accordance with the accounting regulations set by the Japanese Government applicable to electric utility providers in Japan.

As of April 1, 2005, unrecognized prior costs of ¥130,495 million, which had not been recognized in the past as liability, were incurred because new accounting regulations to estimate the reprocessing costs for irradiated nuclear fuel were applicable on or after April 1, 2005. These costs were amortized on a straight-line basis over 15 years. The Company recalculated an estimate in accordance with a specific law. As a result, the unrecognized prior costs as of April 1, 2008 were changed from ¥104,397 million to ¥90,977 million, and these costs are amortized over 12 years, beginning on April 1, 2008. The balance of unrecognized past costs as of March 31, 2016 was ¥30,325 million. The Company was permitted to recover these reprocessing costs by including them in the admitted cost elements for electric rate.

In addition, if any changes were made in the assumptions for the calculations of the reserve, such as expected future cash flows and the discount rate, unrecognized difference might be incurred.

The balance of unrecognized difference as of March 31, 2016 was ¥129,245 million.

In accordance with the accounting regulations, the difference was amortized on a straight-line basis beginning the following year the change was made, over the period in which the irradiated nuclear fuel was produced. The annual amortization was treated as operating expenses.

The Company was obliged to reserve funds which were owned by the Company and managed by an independent fund managing body set

up based on the Spent Nuclear Fuel Reprocessing Implementation Act. The reserve funds belonged to the nuclear operator and were presented as “Reserve funds for reprocessing of irradiated nuclear fuel” in the consolidated balance sheet.

The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act (the “Act”) was enforced on October 1, 2016. The Act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on or after April 1, 2016 when full liberalization of participation in retail electricity sales began.

The Nuclear Reprocessing Organization of Japan (the “NuRO”) was established on October 3, 2016 under the Act. Nuclear operators are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they contribute the funds to the NuRO, and the funds belong to the NuRO. The Reserve funds for reprocessing of irradiated nuclear fuel which were funded by nuclear operators until September 30, 2016 were transferred to the NuRO.

To reflect such revision of the funding system for reprocessing costs of nuclear fuel, accounting regulations applicable to electric providers were revised, and the revised regulations became effective on October 1, 2016. In accordance with the revised regulations, the Company records the contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses.

As a result, in the third quarterly period, the Company reversed reserve funds for reprocessing of irradiated nuclear fuel and reserve for reprocessing of irradiated nuclear fuel by ¥254,686 million (\$2,269,933 thousand) and ¥304,324 million (\$2,712,336 thousand), respectively. On the other hand, the Company recognized other liabilities of ¥9,723 million (\$86,662 thousand), and recorded it in “Other” in noncurrent liabilities. The Company contributed net amounts of them of ¥39,914 million (\$355,740 thousand) to NuRO in the fourth quarterly period.

The Company is required to contribute equally divided amounts (¥7,581 million (\$67,570 thousand)) of unrecognized past costs due to revision of accounting regulations applicable on or after April 1, 2005, until 2020 and record them as operating expenses.

Unrecognized difference arising from changes in the assumptions for calculations of the reserve, which was ¥129,245 million as of March 31, 2016, disappeared due to the enforcement of the Act.

o. Asset Retirement Obligations—Under ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,” an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power unit imposed by the “Law on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors,” discounted at 2.3%.

The asset retirement costs are allocated to expense through depreciation based on the straight-line method over a period totaling the remaining useful life and expected safe storage period in accordance with the accounting regulations applicable to electric utility providers.

p. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The Company and its wholly owned domestic subsidiaries adopted consolidated taxation system from the fiscal year ending March 31, 2017.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Reserve for Fluctuations in Water Level—This reserve is provided to stabilize the Company’s income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also, this reserve must be shown as a liability under the act and regulations.

r. Treasury Stock—The accounting standard for treasury stock requires that where an affiliated company holds a parent company’s stock, a portion which is equivalent to the parent company’s interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.

s. Net Income and Cash Dividends per Share—Basic earnings per share (“EPS”) are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year, and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Diluted EPS at the year ended March 31, 2017 reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible bonds at the time of issuance with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted EPS is not disclosed for the year ended March 31, 2016, because potentially dilutive securities were not outstanding.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

t. Research and Development Costs—Research and development costs are charged to income as incurred.

Notes to Consolidated Financial Statements

3. PROPERTY

The breakdown of property at March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 811,253	¥ 803,858	\$ 7,230,422
Thermal power	1,545,885	1,475,830	13,777,944
Nuclear power	1,718,756	1,705,902	15,318,681
Internal-combustion engine power	130,128	130,794	1,159,790
Renewable power	113,147	112,022	1,008,446
Total	4,319,171	4,228,409	38,495,285
Transmission facilities	1,850,932	1,829,638	16,496,724
Transformation facilities	1,035,283	1,026,284	9,227,128
Distribution facilities	1,427,445	1,430,830	12,722,332
General facilities	400,019	398,605	3,565,236
Other electricity-related facilities	6,646	5,782	59,234
Other plant and equipment	1,032,927	1,015,034	9,206,128
Construction in progress	467,401	417,187	4,165,789
Total	10,539,827	10,351,771	93,937,859
Less-			
Contributions in aid of construction	204,943	200,387	1,826,587
Accumulated depreciation	7,199,973	7,077,522	64,170,885
Carrying amount	¥ 3,134,911	¥ 3,073,861	\$27,940,386

4. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2017 and 2016, were as follows:

March 31, 2017	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,242	¥3,557	¥75	¥6,723
Debt securities	280		20	260
Other securities	368	56	0	424
Held-to-maturity	355	1	12	345

March 31, 2016	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,714	¥2,970	¥100	¥5,585
Debt securities	323		42	280
Other securities	366	53	0	419
Held-to-maturity	455	5	7	453

March 31, 2017	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$28,900	\$31,703	\$676	\$59,927
Debt securities	2,501		179	2,321
Other securities	3,280	505	2	3,783
Held-to-maturity	3,172	17	110	3,080

The information for available-for-sale securities which were sold during the year ended March 31, 2017, is not disclosed because realized gains and losses on sales of available-for-sale securities for the fiscal year are immaterial.

Such information for the year ended March 31, 2016, was as follows:

March 31, 2016	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,171	¥2,935	
Other securities	15	0	
Total	¥5,186	¥2,935	

5. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,141,556 million (\$36,912,270 thousand) are subject to certain statutory preferential rights established to secure bonds and loans borrowed from the Development Bank of Japan Inc. and bonds transferred to bank under debt assumption agreements (see Note 17).

Certain assets of the consolidated subsidiaries, amounting to

¥54,899 million (\$489,298 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2017.

Investments in affiliated companies and time deposits held by a consolidated subsidiaries, amounting to ¥11,714 million (\$104,411 thousand), are pledged as collateral for bank loans of the affiliated companies and the subsidiary of the affiliated company at March 31, 2017.

6. LONG-TERM DEBT

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Yen bonds, 0.15% to 2.85%, due serially to 2037	¥1,144,293	¥1,124,284	\$10,198,692
Yen-denominated zero coupon convertible bonds due 2020 and 2022	150,000		1,336,898
Loans from the Development Bank of Japan Inc., 0.37% to 3.15%, due serially to 2037	311,023	320,671	2,772,042
Loans, principally from banks and insurance companies, 0.106% to 5.0%, due serially to 2034:			
Collateralized	56,127	51,708	500,247
Unsecured	1,533,934	1,609,846	13,671,427
Obligations under finance leases	13,348	12,904	118,971
Total	3,208,726	3,119,414	28,598,278
Less current portion	409,726	373,566	3,651,754
Long-term debt, less current portion	¥2,798,999	¥2,745,848	\$24,946,523

The annual maturities of long-term debt outstanding at March 31, 2017, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 409,726	\$ 3,651,754
2019	428,094	3,815,462
2020	438,544	3,908,595
2021	382,674	3,410,646
2022	343,487	3,061,389
Thereafter	1,206,198	10,750,430
Total	¥3,208,726	\$28,598,278

The offer price of Yen-denominated zero coupon convertible bonds is ¥102.0, and issue price ¥100.0 has been paid to Kyushu Electric Power Company, Incorporated.

Notes to Consolidated Financial Statements

The contents regarding Yen-denominated zero coupon convertible bonds at March 31, 2017, were as follows:

Stock name	Yen-denominated zero coupon convertible bonds due 2020	Yen-denominated zero coupon convertible bonds due 2022
Stock will be converted	Common stock	Common stock
Issue price of stock acquisition rights (yen)	Gratis free	Gratis free
Issue price of stock	¥1,434 (\$12.78)	¥1,471 (\$13.11)
Amount of zero coupon convertible bonds	¥75,000 million (\$668,449 thousand)	¥75,000 million (\$668,449 thousand)
Amount of stock price issued by exercising stock acquisition rights	—	—
Application rate of stock acquisition rights (%)	100	100
Period of exercise stock acquisition rights	From April 13, 2017 to March 17,2020	From April 13, 2017 to March 17,2022

In the case of exercising stock acquisition rights, Yen-denominated zero coupon convertible bonds shall be deemed to be acquired by the Company as a capital contribution in kind by such bond holder at the price equal to the principal amount of the bond.

The Company resolved at the general shareholder's meeting held on June 28, 2017, to pay ¥15 year-end cash dividend per share, and the accumulated cash dividend for the year ended 31 March, 2017 is ¥15 per share. As a result, under the constriction rules of convertible bonds, the issue price of stock of Yen-denominated zero coupon convertible bonds due 2020 has been changed from ¥1,434.0 to ¥1,428.2, and the issue price of stock of Yen-denominated zero coupon convertible bonds due 2020 has been changed from ¥1,471.0 to ¥1,465.1, with effective date on April 1, 2017.

7. SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the several fixed terms selected by them. As for the Company, eligible employees retiring after at least 20 years of service but before

the mandatory retirement age, receive a lump-sum payment upon retirement and annuities. The Company has established retirement benefit trusts for the Company's defined retirement benefit plan.

In March 2016, the Company transferred a part of its defined benefit retirement plans to its defined contribution pension plans.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

Defined retirement benefit plans (excluding plans applying the simplified method)

(1) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥422,888	¥489,701	\$3,769,062
Current service cost	13,344	13,046	118,934
Interest cost	3,467	4,926	30,905
Actuarial losses	5,038	5,600	44,902
Benefits paid	(23,166)	(21,963)	(206,477)
Decrease on transition to a defined contribution pension plan		(68,424)	
Other	0	1	1
Balance at end of year	¥421,572	¥422,888	\$3,757,328

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥333,361	¥416,841	\$2,971,135
Expected return on plan assets	8,255	10,562	73,581
Actuarial gains (losses)	5,424	(19,335)	48,350
Contributions from the employer	6,935	6,563	61,809
Benefits paid	(17,870)	(17,579)	(159,271)
Decrease on transition to a defined contribution pension plan		(63,690)	
Balance at end of year	¥336,106	¥333,361	\$2,995,604

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 415,260	¥ 416,813	\$ 3,701,074
Plan assets	(336,106)	(333,361)	(2,995,604)
	79,153	83,451	705,469
Unfunded defined benefit obligation	6,311	6,075	56,254
Net liability for defined benefit obligation	¥ 85,465	¥ 89,527	\$ 761,723

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 95,940	¥98,396	\$855,088
Assets for retirement benefits	(10,475)	(8,869)	(93,364)
Net liability for defined benefit obligation	¥ 85,465	¥89,527	\$761,723

(4) The components of net periodic benefit costs and related gain for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current service cost	¥13,344	¥ 13,046	\$118,934
Interest cost	3,467	4,926	30,905
Expected return on plan assets	(8,255)	(10,562)	(73,581)
Recognized actuarial losses (gains)	4,557	(496)	40,621
Amortization of prior service cost	(2,409)	(3,446)	(21,472)
Others	95	77	852
Net periodic benefit costs	¥10,800	¥ 3,546	\$ 96,260
Gain on revision of retirement benefit plans		¥ (2,899)	

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost	¥(2,409)	¥ (5,068)	\$(21,472)
Actuarial gains (losses)	4,944	(21,976)	44,069
Total	¥ 2,535	¥(27,044)	\$ 22,596

The amount of recycled prior service cost and actuarial losses, caused by transition from a defined retirement benefit plan to a defined contribution pension plan which occurred in March 2016, were ¥1,662 million and ¥(3,456) million, respectively. These amounts are included in prior service cost and actuarial losses which were recognized in other comprehensive income for the year ended March 31, 2016.

Notes to Consolidated Financial Statements

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ 794	¥ 3,204	\$ 7,085
Unrecognized actuarial losses	(24,327)	(29,272)	(216,824)
Total	¥(23,532)	¥(26,068)	\$(209,738)

(7) Plan assets as of March 31, 2017 and 2016

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Debt investments	44%	45%
Equity investments	26	23
General account of life insurance companies	18	18
Others	12	14
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	Mainly 1.0%	Mainly 1.0%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

Defined retirement benefit plans applying the simplified method

(1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥3,029	¥2,762	\$27,000
Periodic benefit costs	500	850	4,457
Benefits paid	(186)	(246)	(1,660)
Contributions from the employer	(323)	(336)	(2,883)
Balance at end of year	¥3,019	¥3,029	\$26,914

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 5,882	¥ 5,994	\$ 52,431
Plan assets	(5,261)	(4,983)	(46,894)
Unfunded defined benefit obligation	621	1,010	5,537
Net carrying amount of liabilities and assets	3,019	3,029	26,914
Liabilities for retirement benefits	3,585	3,564	31,955
Assets for retirement benefits	(565)	(534)	(5,040)
Net carrying amount of liabilities and assets	¥ 3,019	¥ 3,029	\$ 26,914

(3) Periodic benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Periodic benefit costs calculated under the simplified method	¥500	¥850	\$4,457

Defined contribution plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2017 and 2016 was ¥2,187 million (\$19,496 thousand) and ¥2,177 million, respectively.

8. LOSS ON DISASTER

Loss on disaster represents the amount of assets impaired and post-disaster recovery expenses attributable to the 2016 Kumamoto Earthquake. It consists of loss on assets impaired of ¥297 million (\$2,650 thousand), repair expenses of facilities of ¥7,165 million (\$63,865 thousand) and other expenses related to the earthquake of ¥2,987 million (\$26,625 thousand).

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥213,006	¥207,459	\$1,898,449
Net change in the year	4,272	5,546	38,080
Balance at end of year	¥217,278	¥213,006	\$1,936,530

10. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.13% to 1.88% and from 0.17% to 1.88% for the years ended March 31, 2017 and 2016, respectively.

Notes to Consolidated Financial Statements

11. INCOME TAXES

The Companies are subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 28.1% and 28.7% for the years ended March 31, 2017 and 2016 respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred Tax Assets:			
Tax loss carryforwards	¥ 185,668	¥ 187,751	\$ 1,654,803
Depreciation	38,048	35,871	339,113
Liability for retirement benefits	37,407	38,149	333,399
Asset retirement obligations	19,508	19,455	173,868
Reserve for reprocessing of irradiated nuclear fuel		21,232	
Other	74,618	65,954	665,048
Less valuation allowance	(165,317)	(183,293)	(1,473,416)
Deferred tax assets	189,934	185,120	1,692,816
Deferred Tax Liabilities:			
Gain on contributions of securities to retirement benefit trust	5,375	5,375	47,906
Assets for retirement benefits	3,109	2,654	27,716
Amortization in foreign subsidiary	2,270	2,013	20,238
Capitalized assets retirement costs	1,457	1,554	12,991
Unrealized gain on available-for-sale securities	1,323	1,158	11,797
Other	7,751	6,404	69,089
Deferred tax liabilities	21,288	19,160	189,740
Net deferred tax assets	¥ 168,645	¥ 165,959	\$ 1,503,076

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2017 and 2016, was as follows:

	2017	2016
Normal effective statutory tax rate	28.1%	28.7%
Valuation allowance	(21.8)	(12.1)
Equity in earnings of nonconsolidated subsidiaries and affiliated companies	(2.4)	(1.9)
Other—net	(1.2)	4.1
Actual effective tax rate	2.7%	18.8%

At March 31, 2017, the Company and certain subsidiaries have tax loss carryforwards aggregating ¥667,985 million (\$5,953,520 thousand), most of which are available to be offset against taxable income of the Company and these subsidiaries and will expire in 9 years. At March 31, 2017, the tax loss carryforwards for the Company amounting to ¥87,858 million (\$783,055 thousand), ¥114,354 million (\$1,019,202 thousand), ¥310,653 million (\$2,768,743 thousand), and ¥135,308 million (\$1,205,953 thousand) will expire in the years ending March 31, 2024, 2023, 2022, and 2021, respectively.

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Issuance of Preferred Stock

The Company issued 1,000 shares of Class A Preferred Stock for ¥100,000 million by way of third-party allotment to the Development Bank of Japan Inc.

- (1) Way of offering
Third-party allotment to the Development Bank of Japan Inc.
- (2) Class and number of new shares to be issued
1,000 shares of Class A Preferred Stock
- (3) Issue price
¥100 million per share
- (4) Total amount of the issue price
¥100,000 million
- (5) Amount of preferred stock and additional paid-in capital to be increased
Amount of preferred stock to be increased: ¥50,000 million (¥50 million per share)
Amount of additional paid-in capital to be increased: ¥50,000 million (¥50 million per share)
- (6) Issue date
August 1, 2014
- (7) Uses of proceeds
The proceeds from issuance of the Preferred Stock are planned to be used entirely for construction to enhance the safety of the Company's nuclear power plants to meet new regulations for safety of nuclear power plants.
- (8) Characteristics of the Preferred Stock
The Preferred Stock provides no provision for acquisition or right to request acquisition using the common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders meeting.
The Preferred Stock has a provision for acquisition allowing the Company to acquire this Preferred Stock in exchange for cash the day after the payment date or thereafter. Furthermore, the Preferred Stock will provide the Preferred Shareholders with the right to request acquisition of this Preferred Stock in exchange for cash of the Company the day after the payment date or thereafter if the Preferred Shareholders follow the prescribed procedures, but the exercise of this right by the Preferred Shareholders is limited by the agreement to underwriting of the Preferred Stock.
Annual preferred dividend for the Preferred Stock is ¥3,500 thousand per share.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,817 million (\$51,848 thousand) and ¥6,499 million for the years ended March 31, 2017 and 2016, respectively.

Notes to Consolidated Financial Statements

14. RELATED PARTY DISCLOSURES

Significant transactions of the Company with an affiliated company for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
KYUDENKO CORPORATION			
Transactions:			
Purchase of construction works on distribution facilities and other	¥36,526	¥35,474	\$325,544
Balances at year end:			
Payables for construction works	4,531	3,866	40,389

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Items Pertaining to Financial Instruments

(a) The Companies' policy for financial instruments

The Companies use mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to avoid financial risks as described in (b) below.

(b) Nature and extent of risks arising from financial instruments and risk control system

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Companies' business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Companies manage their credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers in early stage.

Bonds and loans are mainly used to raise funds for investments in electric utility plant and equipment. Although a part of loans is exposed to market risk from changes in variable interest rates, a consolidated subsidiary of the Company mitigates such risk from long-term loans by using interest rate swaps.

Payment terms of notes and accounts payable are less than one year. Although a part of accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange, such risk is mitigated by using foreign exchange forward contracts. Please see Note 16 for more details about derivatives.

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on maturity dates. The Companies manage their liquidity risk by holding adequate volumes of liquid assets based on monthly financial planning and diversifying sources of their financing.

Notes to Consolidated Financial Statements

March 31, 2017	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrecognized Gain (Loss)
Investment securities:			
Held-to-maturity debt securities	\$ 3,172	\$ 3,080	\$ (92)
Available-for-sale securities	66,032	66,032	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	216,473	435,516	219,042
Cash and cash equivalents	3,741,811	3,741,811	
Receivables	2,019,617	2,019,617	
Total	\$ 6,047,108	\$ 6,266,058	\$218,950
Long-term debt:			
Bonds	\$11,535,590	\$11,857,441	\$321,851
Loans	16,943,716	17,479,655	535,938
Short-term borrowings	1,056,797	1,056,797	
Notes and accounts payable	1,095,395	1,095,395	
Accrued income taxes	23,476	23,476	
Total	\$30,654,977	\$31,512,766	\$857,789
Derivatives	\$ (18,037)	\$ (18,037)	

The securities whose fair value cannot be reliably determined are excluded from investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies (see (b) below).

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

(a) Methods used to calculate fair values of financial instruments
Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies

The fair values of investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies are measured at the quoted market price of the exchanges for the equity securities and some of debt securities, principally at the quoted price obtained from the financial institution for other debt securities. Fair value information for investment securities by classification is included in Note 4.

Reserve funds for reprocessing of irradiated nuclear fuel

Prior to October 1, 2016, reserve funds for reprocessing of irradiated nuclear fuel were provided in accordance with a specific law to ensure the appropriate reprocessing of irradiated nuclear fuel resulting from operation of nuclear power production facilities.

The funds had to be used in accordance with a plan approved by the Japanese Government. The fair value for the year ended March 31, 2016, was based on the carrying amount determined by discounting the cash flows related to the using plan.

Cash and cash equivalent, and receivables

The carrying amounts of cash and cash equivalents, and receivables approximate fair values because of their short maturities.

Bonds

The fair values of bonds are based on market price.

Long-term loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria (see Note 16), and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate.

Short-term borrowings, notes and accounts payable, and accrued income taxes

The carrying amounts of short-term borrowings, notes and accounts payable and accrued income taxes approximate fair values because of their short maturities.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investment securities:			
Available-for-sale:			
Equity securities	¥ 63,906	¥ 66,384	\$ 569,576
Other securities	2,827	2,521	25,203
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	73,361	72,283	653,849
Other securities	11,590	10,969	103,300
Total	¥151,686	¥152,158	\$1,351,930

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2017				
Investment securities:				
Held-to-maturity debt securities	¥ 100	¥105	¥15	¥136
Available-for-sale securities with contractual maturities	23	20		260
Cash and cash equivalents	419,831			
Receivables	226,601			
Total	¥646,556	¥125	¥15	¥396

	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2017				
Investment securities:				
Held-to-maturity debt securities	\$ 891	\$ 935	\$133	\$1,212
Available-for-sale securities with contractual maturities	210	184		2,321
Cash and cash equivalents	3,741,811			
Receivables	2,019,617			
Total	\$5,762,531	\$1,120	\$133	\$3,533

Please see Note 6 for annual maturities of long-term debt.

Notes to Consolidated Financial Statements

16. DERIVATIVES

The Company enters into foreign exchange forward contracts and interest rate swaps to manage its exposures to fluctuations in foreign exchanges and interest rates, respectively.

A consolidated subsidiary of the Company enters into interest rate swaps to manage exposure to fluctuations in interest rates.

The Companies do not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts and interest rate swaps are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Companies do not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by the specific sections, and the administrative section monitors them based on internal policies.

Derivative transactions to which hedge accounting is applied

March 31, 2017	Millions of Yen			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed/Receive floating	Long-term loans	¥25,483	¥25,483	¥(2,023)
Special treatment (Note b)				
Pay fixed/Receive floating	Long-term loans	2,680	2,540	
Total				¥(2,023)

March 31, 2016	Millions of Yen			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Currency swaps:				
Buying USD (Note a)	Accounts payable	¥ 1,317		¥ 669
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed /Receive floating	Long-term loans	17,205	¥17,205	(2,512)
Special treatment (Note b)				
Pay fixed /Receive floating	Long-term loans	3,198	2,680	
Total				¥(1,843)

March 31, 2017	Thousands of U.S. Dollars			Fair Value
	Hedged Item	Contract Amount	Contract Amount due after One Year	
Interest rate swaps:				
Principle treatment (Note a)				
Pay fixed/Receive floating	Long-term loans	\$227,122	\$227,122	\$(18,037)
Special treatment (Note b)				
Pay fixed/Receive floating	Long-term loans	23,885	22,638	
Total				\$(18,037)

Notes:

- The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
- The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 15.
- The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to market risk.

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2017, the Companies had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

Contingent liabilities at March 31, 2017 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans, mainly in connection with procurement of fuel	¥98,173	\$874,989
Guarantees of employees' loans	63,336	564,494
Guarantees under debt assumption agreements	40,000	356,506
Other	11,121	99,122

Under the debt assumption agreements, the Company was contingently liable for the redemption of the domestic bonds transferred to banks.

18. COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 810	¥ (1,200)	\$ 7,226
Reclassification adjustments to profit or loss	304	(479)	2,714
Amount before income tax effect	1,115	(1,679)	9,940
Income tax effect	(529)	814	(4,720)
Total	¥ 585	¥ (865)	\$ 5,220
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (687)	¥ (2,906)	\$ (6,128)
Reclassification adjustments to profit or loss	507	341	4,523
Amount before income tax effect	(180)	(2,564)	(1,604)
Income tax effect	21	720	193
Total	¥ (158)	¥ (1,843)	\$ (1,411)
Foreign currency translation adjustments:			
Losses arising during the year	¥ (832)	¥ (4,378)	\$ (7,424)
Amount before income tax effect	(832)	(4,378)	(7,424)
Income tax effect	101	2,272	904
Total	¥ (731)	¥ (2,106)	\$ (6,519)
Defined retirement benefit plans:			
Gains (losses) arising during the year	¥ 386	¥(24,936)	\$ 3,447
Reclassification adjustments to profit or loss	2,148	(2,108)	19,148
Amount before income tax effect	2,535	(27,044)	22,596
Income tax effect	(727)	7,871	(6,484)
Total	¥1,807	¥(19,173)	\$16,111
Share of other comprehensive loss in nonconsolidated subsidiaries and affiliated companies:			
Losses arising during the year	¥ (301)	¥ (1,842)	\$ (2,690)
Reclassification adjustments to profit or loss	225	141	2,013
Total	¥ (75)	¥ (1,700)	\$ (676)
Total other comprehensive income (loss)	¥1,427	¥(25,689)	\$12,724

Notes to Consolidated Financial Statements

19. SEGMENT INFORMATION

(1) Description of reportable segments

The Companies' reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. Therefore, the Companies consist of electric power, energy related business, information technology (IT) and telecommunications and other.

The energy related business consists of obtaining, storing, gasifying, supplying and selling LNG, renewable energy business and other businesses related to energy.

IT and telecommunications consists of provision of telecommunications.

Other consists of environment and recycling, lifestyle-oriented services and others.

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit, assets and other items at March 31, 2017 and 2016, was as follows:

	Millions of Yen						
	2017						
	Reportable segment				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,681,066	¥ 64,559	¥ 70,181	¥ 11,716	¥1,827,524		¥1,827,524
Intersegment sales or transfers	4,016	120,660	31,259	13,200	169,136	¥(169,136)	
Total	¥1,685,082	¥185,220	¥101,440	¥ 24,917	¥1,996,661	¥(169,136)	¥1,827,524
Segment profit	¥ 98,365	¥ 10,088	¥ 8,499	¥ 4,528	¥ 121,481	¥ 1,159	¥ 122,640
Segment assets	3,972,388	453,092	183,795	142,460	4,751,737	(164,196)	4,587,541
Other:							
Depreciation	184,993	8,405	20,848	4,112	218,359	(3,017)	215,342
Increase in property and nuclear fuel	271,967	18,039	23,312	1,147	314,466	(4,369)	310,096
	Millions of Yen						
	2016						
	Reportable segment				Total	Reconciliations	Consolidated
Electric Power	Energy related Business	IT and Telecommunications	Other				
Sales:							
Sales to external customers	¥1,688,328	¥ 64,196	¥ 69,348	¥ 13,819	¥1,835,692		¥1,835,692
Intersegment sales or transfers	3,988	120,453	34,208	12,984	171,634	¥(171,634)	
Total	¥1,692,316	¥184,649	¥103,557	¥ 26,804	¥2,007,327	¥(171,634)	¥1,835,692
Segment profit	¥ 96,183	¥ 10,852	¥ 10,277	¥ 4,327	¥ 121,641	¥ (1,384)	¥ 120,256
Segment assets	4,155,999	419,465	186,791	142,522	4,904,778	(156,541)	4,748,237
Other:							
Depreciation	172,806	8,433	20,051	4,473	205,764	(2,703)	203,060
Increase in property and nuclear fuel	284,090	18,130	25,583	1,091	328,897	(5,039)	323,858

Thousands of U.S. Dollars							
2017							
	Reportable segment				Total	Reconciliations	Consolidated
	Electric Power	Energy related Business	IT and Telecommu- nications	Other			
Sales:							
Sales to external customers	\$14,982,765	\$ 575,400	\$ 625,507	\$ 104,424	\$16,288,097		\$16,288,097
Intersegment sales or transfers	35,797	1,075,402	278,600	117,654	1,507,455	\$(1,507,455)	
Total	\$15,018,563	\$1,650,802	\$ 904,108	\$ 222,078	\$17,795,553	\$(1,507,455)	\$16,288,097
Segment profit	\$ 876,698	\$ 89,914	\$ 75,749	\$ 40,357	\$ 1,082,719	\$ 10,333	\$ 1,093,053
Segment assets	35,404,536	4,038,256	1,638,105	1,269,701	42,350,600	(1,463,423)	40,887,176
Other:							
Depreciation	1,648,781	74,915	185,815	36,653	1,946,165	(26,896)	1,919,269
Increase in property and nuclear fuel	2,423,949	160,780	207,773	10,225	2,802,728	(38,941)	2,763,786

Notes:

- (a) Reconciliations of segment profit and segment assets are intersegment transaction eliminations.
 (b) Segment profit is adjusted to reflect operating income in the consolidated statement of income.

Geographic segment information is not disclosed because the Companies' overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

20. SUBSEQUENT EVENT

At the general shareholders meeting held on June 28, 2017, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 (\$0.13) per common share	¥7,109	\$63,364
Year-end cash dividends, ¥3,500,000.00 (\$31,194.29) per Class A preferred share	¥3,500	\$31,194

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2017 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
				EPS
Year Ended March 31, 2017		Weighted-Average Shares		
Net income attributable to owners of the parent	¥79,270			
Amount not attributable to common shareholders:				
Preferred dividend	(3,500)			
Basic EPS-Net income available to common shareholders	¥75,770	473,662	¥159.97	\$1.42
Effect of dilutive securities:				
Convertible bonds		566		
Diluted EPS-Net income for computation	¥75,770	474,228	¥159.78	\$1.42



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheet of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2.n to the consolidated financial statements, on October 1, 2016, The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced. As a result, the Company reversed reserve funds for reprocessing of irradiated nuclear fuel and reserve for reprocessing of irradiated nuclear fuel. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu Limited

June 28, 2017

Nonconsolidated Five-year Financial Summary

Financial Section

Kyushu Electric Power Company, Incorporated
Years Ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2013	2014	2015	2016	2017	2017
For the Year:						
Operating revenues:	¥1,448,876	¥1,682,994	¥1,761,275	¥1,705,485	¥1,696,731	\$15,122,380
Electric	1,408,339	1,634,829	1,721,869	1,692,316	1,685,082	15,018,563
Other	40,536	48,165	39,405	13,169	11,648	103,817
Operating expenses:	1,721,006	1,756,444	1,790,350	1,596,132	1,586,717	14,141,865
Personnel	151,844	113,781	113,103	131,038	132,672	1,182,461
Fuel	679,722	754,442	678,486	364,741	263,536	2,348,809
Purchased power	269,582	314,961	372,437	386,826	409,885	3,653,171
Depreciation	180,180	172,333	164,721	167,024	176,393	1,572,132
Maintenance	147,924	103,155	126,641	144,494	152,705	1,361,009
Reprocessing costs of contribution funds for nuclear fuel					19,321	172,208
Reprocessing costs of irradiated nuclear fuel	17,352	16,502	17,111	16,043		
Decommissioning costs of nuclear power units	2,627	1,978	4,293	4,640	4,589	40,904
Depreciation of special account related to nuclear power decommissioning				821	821	7,325
Disposal cost of high-level radioactive waste	3,247	3,861		1,032	4,315	38,463
Disposition of property	14,501	10,600	11,491	14,255	15,162	135,139
Taxes other than income taxes	82,265	84,339	84,397	83,610	84,070	749,292
Subcontract fee	64,485	62,182	74,332	82,371	76,555	682,316
Rent	29,298	26,920	25,741	26,237	25,797	229,920
Other	77,974	91,384	117,591	172,992	220,889	1,968,709
Interest charges	35,581	38,009	38,693	37,056	33,427	297,930
Income (loss) before income taxes	(343,051)	(75,619)	(84,905)	75,812	58,340	519,972
Net income (loss)	(338,050)	(90,939)	(119,010)	65,328	61,057	544,186

	Yen					U.S. Dollars
Per share of common stock:						
Basic net income (loss)	¥(714.33)	¥(192.17)	¥(251.32)	¥137.83	¥121.44	\$1.08
Cash dividends applicable to the year						

	Millions of Yen					Thousands of U.S. Dollars
At year-end:						
Total assets	¥4,201,704	¥4,218,037	¥4,390,912	¥4,321,442	¥4,141,556	\$36,912,270
Net property	2,704,014	2,687,936	2,664,541	2,743,423	2,799,670	24,952,503
Long-term debt, less current portion	2,425,739	2,692,319	2,712,193	2,563,858	2,604,248	23,210,769
Total equity	429,287	341,405	322,299	385,190	436,464	3,890,062

Nonconsolidated Balance Sheet

Kyushu Electric Power Company, Incorporated
March 31, 2017 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
ASSETS			
PROPERTY:			
Plant and equipment	¥9,252,736	¥9,136,297	\$82,466,459
Construction in progress	415,512	377,132	3,703,322
Total	9,668,249	9,513,430	86,169,781
Less-			
Contributions in aid of construction	197,102	192,509	1,756,707
Accumulated depreciation	6,671,476	6,577,497	59,460,570
Total	6,868,578	6,770,006	61,217,277
Net property	2,799,670	2,743,423	24,952,503
NUCLEAR FUEL	252,138	283,227	2,247,228
INVESTMENTS AND OTHER ASSETS:			
Investment securities	67,885	69,719	605,037
Investments in and advances to subsidiaries and affiliated companies	188,399	188,572	1,679,137
Reserve funds for reprocessing of irradiated nuclear fuel		270,095	
Deferred tax assets	100,037	107,183	891,604
Special account related to nuclear power decommissioning	20,048	20,870	178,687
Other	65,152	35,317	580,681
Total investments and other assets	441,523	691,758	3,935,147
CURRENT ASSETS:			
Cash and cash equivalents	361,338	371,424	3,220,487
Receivables	197,716	151,194	1,762,179
Allowance for doubtful accounts	(565)	(547)	(5,044)
Fuel and supplies	47,420	42,284	422,638
Deferred tax assets	35,161	25,743	313,385
Prepaid expenses and other	7,152	12,933	63,743
Total current assets	648,223	603,033	5,777,390
TOTAL	¥4,141,556	¥4,321,442	\$36,912,270

Note: U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
LIABILITIES AND EQUITY			
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	¥2,607,076	¥2,563,858	\$23,235,979
Liability for retirement benefits	69,117	66,556	616,022
Reserve for reprocessing of irradiated nuclear fuel		309,595	
Asset retirement obligations	215,118	211,447	1,917,274
Other	31,047	18,416	276,718
Total long-term liabilities	2,922,360	3,169,875	26,045,995
CURRENT LIABILITIES:			
Current portion of long-term debt	383,756	346,991	3,420,289
Short-term borrowings	114,000	114,000	1,016,042
Accounts payable	99,556	126,985	887,316
Accrued income taxes		2,433	
Accrued expenses	127,743	123,751	1,138,530
Other	49,103	44,587	437,645
Total current liabilities	774,160	758,749	6,899,825
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	8,570	7,627	76,387
EQUITY:			
Common stock, authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	2,115,016
Preferred stock, authorized, 1,000 shares; issued, 1,000 shares			
Capital surplus:			
Additional paid-in capital	31,087	31,087	277,073
Other capital surplus	89,784	99,309	800,221
Retained earnings:			
Legal reserve	59,326	59,326	528,754
Retained earnings—carryforward	18,454	(42,602)	164,481
Unrealized gain on available-for-sale securities	961	724	8,565
Deferred gain on derivatives under hedge accounting		481	
Treasury stock—at cost 219,403 shares in 2017 and 205,318 shares in 2016	(454)	(439)	(4,050)
Total equity	436,464	385,190	3,890,062
TOTAL	¥4,141,556	¥4,321,442	\$36,912,270

Note: U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

Nonconsolidated Statement of Income

Kyushu Electric Power Company, Incorporated
Year Ended March 31, 2017 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
OPERATING REVENUES:			
Electric	¥1,685,082	¥1,692,316	\$15,018,563
Other	11,648	13,169	103,817
Total operating revenues	1,696,731	1,705,485	15,122,380
OPERATING EXPENSES:			
Electric:			
Personnel	132,672	131,038	1,182,461
Fuel	263,536	364,741	2,348,809
Purchased power	409,885	386,826	3,653,171
Depreciation	176,393	167,024	1,572,132
Maintenance	152,705	144,494	1,361,009
Reprocessing costs of contribution funds for nuclear fuel	19,321		172,208
Reprocessing costs of irradiated nuclear fuel		16,043	
Decommissioning costs of nuclear power units	4,589	4,640	40,904
Depreciation of special account related to nuclear power decommissioning	821	821	7,325
Disposal cost of high-level radioactive waste	4,315	1,032	38,463
Disposition of property	15,162	14,255	135,139
Taxes other than income taxes	84,070	83,610	749,292
Subcontract fee	76,555	82,371	682,316
Rent	25,797	26,237	229,920
Other	220,889	172,992	1,968,709
Total	1,586,717	1,596,132	14,141,865
Other	10,478	11,506	93,387
Total operating expenses	1,597,195	1,607,639	14,235,252
OPERATING INCOME	99,535	97,846	887,127
OTHER EXPENSES (INCOME):			
Interest charges	33,427	37,056	297,930
Gain on sales of fixed assets		(2,054)	
Gain on sales of investment securities		(2,455)	
Gain on revision of retirement benefit plans		(2,899)	
Loss on disaster	9,598		85,551
Other-net	(2,775)	(13,549)	(24,737)
Total other expenses-net	40,251	16,098	358,744
INCOME BEFORE INCOME TAXES AND PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	59,284	81,747	528,383
PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL	943	5,934	8,411
INCOME BEFORE INCOME TAXES	58,340	75,812	519,972
INCOME TAXES:			
Current	(624)	4,909	(5,565)
Deferred	(2,092)	5,574	(18,648)
Total income taxes	(2,716)	10,484	(24,213)
NET INCOME	¥ 61,057	¥ 65,328	\$ 544,186
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 121.44	¥137.83	\$ 1.08
Diluted net income	121.29		1.08
Cash dividends applicable to the year:			
Common share	15.00		0.13
Class A preferred share	3,500,000.00		31,194.29

Note: U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.